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and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION**

**In re:**

**PG&E CORPORATION,**

**- and -**

**PACIFIC GAS AND ELECTRIC  
COMPANY,**

**Debtors.**

- ☐ Affects PG&E Corporation  
☐ Affects Pacific Gas and Electric  
Company  
☒ Affects both Debtors

*\* All papers shall be filed in the Lead  
Case, No. 19-30088 (DM).*

Bankruptcy Case No. 19-30088 (DM)

Chapter 11 (Lead Case) (Jointly Administered)

**DECLARATION OF LAURIE EDELSTEIN IN  
SUPPORT OF APPLICATION OF DEBTORS  
PURSUANT TO 11 U.S.C. § 327(e), FED. R.  
BANKR. P. 2014(a) AND 2016, AND THE ORDER  
AUTHORIZING THE DEBTORS TO EMPLOY  
PROFESSIONALS USED IN THE ORDINARY  
COURSE OF BUSINESS FOR AUTHORITY TO  
RETAIN AND EMPLOY STEPTOE & JOHNSON  
LLP AS SPECIAL COUNSEL FOR THE  
DEBTORS EFFECTIVE AS OF THE PETITION  
DATE**

Date: April 14, 2020

Time: 10:00 a.m. (Pacific Time)

Place: (Telephonic Appearances Only)  
United States Bankruptcy Court  
Courtroom 17, 16th Floor  
San Francisco, CA 94102

1 Pursuant to 28 U.S.C. § 1746, I, Laurie Edelstein, hereby declare as follows:

2 1. I am a partner of Steptoe & Johnson LLP, and my office is located at One Market Plaza,  
3 Spear Tower, Suite 3900, San Francisco, CA 94105 (“**Steptoe**” or the “**Firm**”).

4 2. I submit this Declaration in connection with the Application, submitted on the date hereof  
5 (the “**Application**”),<sup>1</sup> of PG&E Corporation (“**PG&E Corp.**”) and Pacific Gas and Electric Company  
6 (the “**Utility**”), as debtors and debtors in possession (collectively, the “**Debtors**”) in the above-captioned  
7 chapter 11 cases (the “**Chapter 11 Cases**”), for authority to employ and retain Steptoe as their special  
8 counsel for certain matters, effective as of January 29, 2019 (the “**Petition Date**”), at its existing agreed-  
9 upon hourly rates in effect from time to time and in accordance with its existing reimbursement policies  
10 applicable to the Debtors, in compliance with section 327(e) of title 11 of the United States Code  
11 (the “**Bankruptcy Code**”), and to provide the disclosure under the Federal Rules of Bankruptcy  
12 Procedure (the “**Bankruptcy Rules**”) and the Bankruptcy Local Rules for the U.S. District Court for the  
13 Northern District of California (the “**Bankruptcy Local Rules**”) as applicable to retention under section  
14 327(e) of the Bankruptcy Code. Unless otherwise stated in this Declaration, I have personal knowledge  
15 of the facts set forth herein. To the extent any information disclosed herein requires amendment or  
16 modification upon Steptoe’s completion of further review, or as additional information becomes  
17 available, a supplemental declaration will be submitted to the Court reflecting such amended,  
18 supplemented or otherwise modified information.

19 3. Except as set forth herein, to the best of my knowledge, after due inquiry, neither I,  
20 Steptoe, nor any partner of, counsel to, or associate of the Firm represents any entity other than the  
21 Debtors in connection with these Chapter 11 Cases. In addition, except as set forth herein, to the best of  
22 my knowledge, after due inquiry, neither I, Steptoe, nor any partner of, counsel to, or associate of the  
23 Firm represents any party in interest with respect to the matters for which Steptoe is to be employed.  
24 Additionally, Steptoe does not represent any party other than the Debtors in connection with the Specific  
25 Matters (as defined below) that are the subject of the Application.

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<sup>1</sup> Capitalized terms used but not otherwise defined herein shall have the same meanings ascribed to such terms in the Application.

1 **Background**

2 4. On February 27, 2019, the Court entered the *Order Pursuant to 11 U.S.C. §§ 105(a), 327,*  
3 *328, and 330 Authorizing the Debtors to Employ Professionals Used in the Ordinary Course of Business*  
4 *Nunc Pro Tunc to the Petition Date* [Dkt No. 707] (the “**OCP Order**”) authorizing the Debtors to retain  
5 and compensate legal services professionals that the Debtors employ in the ordinary course of business  
6 (collectively, the “**Ordinary Course Professionals**”) subject to the terms of the OCP Order. Steptoe  
7 has served as counsel to the Debtors prior to the Petition Date and has continued to serve in such capacity  
8 pursuant to the OCP Order. Pursuant to the OCP Order, the Debtors previously filed the *Declaration*  
9 *and Disclosure Statement of Laurie Edelstein Behalf of Steptoe & Johnson LLP* (the “**Prior Edelstein**  
10 **Declaration**”), annexed as Exhibit A-58 to the *Notice of Filing of (I) Ordinary Course Professional*  
11 *Declarations and Retention Questionnaires and (II) List of Additional Ordinary Course Professionals*  
12 [Dkt. No 1130].

13 5. While Steptoe was approved and has been serving as an Ordinary Course Professional in  
14 the Chapter 11 Cases, recent developments—particularly in the certain litigation matters—have  
15 compelled Steptoe to dedicate significantly more time to its representation of the Debtors. Based on my  
16 discussions with the Debtors, the services they have asked, and expect to ask, Steptoe to perform in  
17 connection with the Specific Matters will exceed the caps set forth in the OCP Order; accordingly, the  
18 Debtors seek approval of Steptoe as special counsel in connection with the Specific Matters pursuant to  
19 section 327(e) of the Bankruptcy Code, *nunc pro tunc* to the Petition Date, as contemplated by paragraph  
20 2(ix) of the OCP Order. Steptoe continued representation of PG&E in these matters, and specifically in  
21 the Ghost Ship Case and the Valero Case (as defined below), is the most efficient and cost-effective path  
22 for PG&E.

23 6. Steptoe has represented and continues to represent and advise PG&E in (i) the pre-  
24 petition Ghost Ship fire litigation pending in state court (the “Ghost Ship Case”); (ii) pre-petition  
25 litigation pending in federal court arising out of a May 5, 2017 power outage at a refinery owned Valero  
26 Refining Company – California (the “Valero Case”); and (iii) several other litigation and pre-litigation  
27 matters (together, (i) through (iii), the “Specific Matters”). The Specific Matters are described in more  
28 detail below.

1                   **A.     The Ghost Ship Case**

2           7.       Following the tragic fire at a warehouse in Oakland in December 2016, families of the  
3 victims of the fire, as well as survivors, filed suits in the Superior Court for the County of Alameda.  
4 Pacific Gas and Electric Company and PG&E Corporation were first named as defendants in the Master  
5 Complaint filed on May 16, 2017. Plaintiffs have alleged the following claims against PG&E: (1)  
6 negligence; (2) premises liability; (3) negligent hiring, supervision, training, and/or retention; (4) public  
7 nuisance; (5) strict liability; (6) survival; and (7) negligent infliction of emotional distress.

8           8.       Currently, there are 53 pending suits involving 78 plaintiffs. The court has related these  
9 suits, which are proceeding under the caption, *In re Ghost Ship Fire Litigation*, Lead Case No.  
10 RG16843631 (and related cases) (Alameda County Superior Court).

11           9.       The Ghost Ship Case was stayed as to PG&E upon PG&E's filing of these Chapter 11  
12 cases on January 29, 2019. On November 26, 2019, the Plaintiffs' Executive Committee appointed by  
13 the Alameda Superior Court in the Ghost Ship Case filed a motion before this Court for relief from the  
14 automatic stay. [See Docket No. 4875.] A hearing on the motion was held on December 17, 2019. On  
15 January 6, 2020, the Court entered the *Order Re: Motion for Relief from Automatic Stay to Permit the*  
16 *Courts of the State of California to Conduct a Jury Trial and Related Pretrial and Post Trial Matters in*  
17 *Connection with the Ghost Ship Fire Cases* [Docket No. 5280].

18           10.      Following the lifting of the stay, the Alameda County Superior Court set a trial date of  
19 October 19, 2020 in the Ghost Ship Case. Discovery and pretrial matters are proceeding.

20                   **B.     The Valero Case**

21           11.      On June 30, 2017, Valero Refining Company – California (Valero) filed a lawsuit against  
22 PG&E in the United States District Court for the Eastern District of California seeking \$75 million in  
23 damages arising out of a May 5, 2017 outage at Valero's Benicia Refinery (the Refinery), *Valero*  
24 *Refining Company – California v. Pac. Gas & Elec. Co.*, No. 17 Civ. 1350 (E.D. Cal.). Valero alleged  
25 breach of contract and negligence claims against PG&E.

26           12.      The Valero Case was set for trial on June 3, 2019, but the case was stayed upon PG&E's  
27 filing of these Chapter 11 cases on January 29, 2019. On February 5, 2019, Valero filed a motion before  
28 this Court for relief from the automatic stay. [See Docket No. 315.] On September 5, 2019, Valero and  
PG&E filed a stipulation agreeing to participate in a mediation. The parties further agreed that if the

1 mediation failed to result in a settlement of all claims in the federal district court litigation, Valero's  
2 motion for relief from stay would be deemed granted without further order of the Court to allow the  
3 completion of pretrial proceedings, trial, post-trial motions and any appellate proceedings in or in  
4 connection with the federal district court action, effective on November 25, 2019. On September 5,  
5 2019, the Court entered the *Order Approving Stipulation Between Debtor Pacific Gas and Electric*  
6 *Company and Movant Valero Refining Company-California for Limited Relief from the Automatic Stay*  
7 *and Limited Preservation of Jury Trial Rights* [Docket No. 3819].

8 13. The parties held a mediation on October 22, 2019 that did not result in a settlement of all  
9 claims in the federal district court litigation. On November 25, 2019, Valero filed a Notice of Stipulation  
10 to Lift Bankruptcy Stay with the federal district court. That same day, the federal district court issued a  
11 minute order stating that pursuant to the Notice of Stipulation to Lift Bankruptcy Stay, the stay was lifted  
12 and case was reopened. The federal district court ordered the parties to file a Joint Status Report within  
13 30 days.

14 On December 20, 2020, the parties filed a Supplemental Joint Status Report proposing new  
15 pretrial and trial dates and deadlines. On January 14, 2020, the federal district court issued a minute  
16 order reinstating Valero's motion for leave to amend its complaint to add a punitive damages claim and  
17 stating that the court will issue a written order on that motion. The court ordered the parties to file a  
18 second Supplemental Joint Status Report proposing new dates and deadlines within 30 days after the  
19 court issues a ruling on the motion to amend. On March 3, 2020, Valero filed a motion to enforce certain  
20 deadlines and for depositions. That motion is set to be heard on April 30, 2020.

21 **C. Other Matters**

22 14. Steptoe continues to represent PG&E and three current and former employees in an action  
23 brought by Tiger Natural Gas, Inc. (Tiger), a core gas transport agent, alleging RICO and federal antitrust  
24 claims, among others, arising out of PG&E's billing and collections role, *Tiger Natural Gas, Inc. v. Pac.*  
25 *Gas & Elec. Co.*, No. 16 Civ. 6711 (N.D. Cal.). On October 18, 2019, Tiger filed before this Court a  
26 motion for relief from stay. [See Docket No. 4322.] On January 21, 2020, Tiger and PG&E filed a  
27 stipulation with this Court for limited relief from the automatic stay to participate in mediation. [See  
28 Docket No. 5431]. On January 22, 2020, the Court entered the *Order Approving Stipulation Between*

1 *Debtor Pacific Gas and Electric Company and Tiger Natural Gas, Inc. for Limited Relief from the*  
2 *Automatic Stay* [Docket No. 5455]. The parties have a scheduled a mediation for May 11, 2020.

3 15. Steptoe also has been advising PG&E in connection with issues and litigation arising out  
4 of the Public Power Safety Shutoffs (PSPS).

5 16. In addition, Steptoe is representing and advising PG&E regarding a dispute with a  
6 customer arising out of a scheduled transmission clearance.

7 **Scope of Services**

8 17. As contemplated by the Application, the Debtors seek to engage Steptoe as special  
9 counsel to provide professional services in connection with the Specific Matters.

10 18. As to the Ghost Ship Case, Steptoe's representation of PG&E includes, but is not limited  
11 to, overall case management, development of legal strategy, conducting and responding to discovery,  
12 appearing and participating at hearings, drafting and responding to motions and briefs, working with  
13 experts, preparing PG&E's case for trial, and participating in potential settlement efforts.

14 19. With respect to the Valero Case, Steptoe's representation includes, but is not limited to,  
15 working with experts, completion of discovery, drafting and responding to motions, appearing and  
16 participating in hearings, preparing PG&E's case for trial, and participating in potential settlement  
17 efforts.

18 20. With respect to the Other Matters, Steptoe will be preparing for and participating in a  
19 mediation with Tiger on May 11, 2020 and in connection with that mediation analyzing Tiger's alleged  
20 damages.

21 21. Steptoe also will continue to provide advice to PG&E in connection with issues and  
22 litigation arising out of the Public Power Safety Shutoffs (PSPS) and the dispute with a customer arising  
23 out of a scheduled transmission clearance.

24 22. Steptoe also will perform all other necessary legal services for the Debtors, as related to  
25 the above matters, in connection with the Chapter 11 Cases, including fact investigation, legal  
26 researching, briefing, argument, discovery, reorganization, plan and disclosure statement matters,  
27 appearance and participation in hearings, and communications and meetings with parties in interest.

1 **Step toe's Qualifications**

2 23. Step toe is well-qualified to represent the Debtors on all matters with the scope of the  
3 proposed engagement. The Specific Matters for which Step toe's retention is sought as special counsel  
4 in connection are expected to be substantially the same as those performed under the OCP Order,  
5 although the scope of such services is expected to increase in connection with the Chapter 11 Cases,  
6 necessitating the filing of the Application. The Debtors seek to retain Step toe in connection with the  
7 Specific Matters because of Step toe's recognized expertise in matters such as the Specific Matters, and  
8 extensive experience and knowledge in connection with the Specific Matters themselves as a result of  
9 representing the Debtors in connection with such matters before and during the Chapter 11 Cases.

10 24. Step toe is exceptionally qualified with respect to litigation matters in general and with  
11 litigation involving the energy industry in particular. Step toe has a long history of success in  
12 representing many of the nation's leading energy companies in litigation and regulatory matters.  
13 Step toe's Energy group is widely recognized as one of the nation's premier energy practices. Step toe  
14 has represented clients in many of the most important cases in the electric industry in federal court  
15 proceedings and at the Federal Energy Regulatory Commission. Step toe's commercial litigation lawyers  
16 are known for combining their deep understanding of the energy industry and with their litigation skills  
17 and have earned a national reputation for successful advocacy in litigation matters.

18 25. Further, as noted above, Step toe already has extensive experience advising and  
19 representing the Debtors on the various pending litigation matters. In addition, prior to the Petition Date,  
20 Step toe represented the Debtors in a number of matters, acquiring considerable knowledge of Debtors'  
21 business and operations. Accordingly, Step toe is both well qualified and uniquely able to represent the  
22 Debtors in the Chapter 11 Cases with respect to the Specific Matters.

23 26. Accordingly, I believe that Step toe is both well-qualified and uniquely able to represent  
24 the Debtors in the Chapter 11 Cases with respect to the Specific Matters.

25 **Terms of Step toe's Engagement**

26 27. The terms of Step toe's current representations of the Debtors in the above-referenced  
27 matters are set forth in the Master Services Agreement between PG&E and Step toe, dated January 16,  
28 2018, as modified by a Letter Agreement between PG&E and Step toe, dated January 16, 2018, and as



1 further amended by an Addendum, dated November 12, 2019, and an Addendum to a Retention Letter,  
2 dated December 26, 2019 (collectively, the “Engagement Agreement”). A copy of the Engagement  
3 Agreement is attached as **Exhibit A**.

#### 4 **Coordination With the Debtors’ Other Professionals**

5 28. Steptoe is aware that the Debtors have retained other law firms in connection with the  
6 Chapter 11 Cases, including in connection with various civil litigation matters. Steptoe has been  
7 coordinating and will continue to coordinate closely with the Debtors and their other retained  
8 professionals to delineate the scope of services and avoid duplication of services wherever reasonably  
9 possible.

#### 10 **Compensation and Fee Applications**

11 29. Prior to the filing of this Application, Steptoe was compensated pursuant to the OCP  
12 Order. Pursuant to the OCP Order, between the Petition Date and the date hereof, Steptoe has been paid  
13 in the amount of \$140,809.56 on account of its post-petition fees and expenses. Currently, Steptoe is  
14 owed approximately \$606,913.63 in fees and expense on account of its post-petition services as an  
15 ordinary course professional for the Debtors for the months of October 2019 through January 2020.

16 30. Subject to Court approval of this Application, Steptoe intends to apply for compensation  
17 for professional services rendered on an hourly basis and the reimbursement of reasonable expenses. The  
18 hourly rates and corresponding rate structure Steptoe will apply reflect Steptoe’s negotiated hourly rates  
19 with respect to the Debtors’ engagement of Steptoe in connection with the Specific Matters. These rates  
20 are consistent with the rates charged by Steptoe under the OCP Order and are not varied based on whether  
21 a fee application is required.

22 31. In accordance with the OCP Order, following entry of the order approving the Application  
23 (or, in accordance with the OCP Order, for any prior period to the extent Steptoe’s fees and expenses  
24 will exceed the applicable caps set forth in the OCP Order), Steptoe will seek allowance of its fees and  
25 reimbursement of its expenses in accordance with applicable provisions of the Bankruptcy Code, the  
26 Bankruptcy Rules, the United States Bankruptcy Court Northern District of California Guidelines for  
27 Compensation and Expense Reimbursement of Professionals and Trustees, effective February 19, 2014,  
28 and the United States Trustee Guidelines Region 17, updated December 16, 2016 (the “Local



1 **Guidelines**”), the U.S. Trustee Guidelines for Reviewing Applications for Compensation and  
2 Reimbursement of Expenses Filed under 11 U.S.C. § 330 by Attorneys in Larger Chapter 11 Cases,  
3 effective November 1, 2013 (the “**U.S. Trustee Guidelines**” and together with the Local Guidelines, the  
4 “**Fee Guidelines**”), the OCP Orders, and any additional further Order of the Court in these Chapter 11  
5 Cases regarding professional compensation and reimbursement of expenses (the “**Orders**”). Steptoe  
6 will seek allowance of all fees and expenses for the period beginning February 1, 2020. Fees attributable  
7 to the period after December 31, 2019, will be charged at Steptoe’s 2020 hourly rates.<sup>2</sup>

8 32. Steptoe and the Debtors have not agreed to any variations from, or alternatives to,  
9 Steptoe’s standard billing arrangements negotiated with the Debtors and also used under the OCP Order.  
10 As discussed in more detail below, Steptoe rates are subject to periodic change in the ordinary course of  
11 business. The Steptoe 2020 hourly rates for the attorneys presently working on the engagement range  
12 as follows:

<u>Billing Category</u>	<u>Range</u>
Partners	\$775 to \$925
Counsel	\$625
Associates	\$450 to \$615
Paraprofessionals	\$250

13 33. The Steptoe hourly rates are set at a level designed to compensate Steptoe fairly for the  
14 work of its attorneys and paraprofessionals and to cover fixed and routine expenses. Hourly rates vary  
15 with the experience and seniority of the individuals assigned. These hourly rates are subject to periodic  
16 adjustments to reflect economic and other conditions.<sup>3</sup> In addition, the Engagement Agreement attached  
17 as Exhibit A sets forth certain volume discounts.

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23  
24 <sup>2</sup> Steptoe’s 2020 rates are subject to customary rate adjustment to be negotiated and agreed to by the  
25 Debtors and Steptoe in a manner consistent with past practice.

26 <sup>3</sup> Like many other law firms, Steptoe typically increases the hourly billing rate of attorneys and  
27 paraprofessionals once a year, which increase includes (i) ordinary course step increases related to the  
28 advancing seniority or promotion of an attorney or paraprofessional (a “**Step Increase**”), and (ii)  
periodic (generally yearly) rate increases with respect to each level of seniority (a “**Rate Increase**”). The  
Step Increases do not constitute “rate increases” (as the term is used in the U.S. Trustee Guidelines).  
The proposed order provides that Steptoe will provide reasonable advance notice to the Debtors and the  
U.S. Trustee of any Rate Increase.

1           34.     Steptoe will maintain detailed, contemporaneous time records in six-minute intervals and  
2 apply to the Court for payment of compensation and reimbursement of expenses in accordance with the  
3 Bankruptcy Code, Bankruptcy Rules, the Fee Guidelines, and the Orders. Steptoe timekeepers will  
4 record time using billing categories that substantially conform to those categories set forth at section  
5 8(b) of the U.S. Trustee Guidelines, and will record the amount of time per task within each billing  
6 category. Furthermore, Steptoe will maintain records of expenses incurred and itemize those expenses  
7 as well as summarize them by expense categories established as part of Steptoe's customary billing  
8 procedures.

9           35.     Steptoe's policy is to charge its clients in all areas of practice for out-of-pocket expenses  
10 incurred in connection with the client's case. The expenses charged to clients include, among other  
11 things, mail and express mail, special or hand delivery, messengers, photocopying, scanning and/or  
12 printing, computerized research fees (which shall not be more than the actual cost Steptoe incurs), travel  
13 expenses, "working meals," transcription, as well as non-ordinary overhead expenses such as secretarial  
14 and other overtime. For disbursements over \$1,500, we may request specific payment arrangements or  
15 that advances be provided. Our personnel bill for travel time, but if they work on another matter while  
16 traveling for the Debtors, the Debtors will not be billed for that time.

17           36.     Steptoe will charge for these expenses in a manner and at rates consistent with charges  
18 made generally to its other clients, in accordance with the terms and conditions set forth in the  
19 Engagement Agreement, and in compliance with all applicable rules, procedures and orders of the Court.

20           37.     Steptoe understands that interim and final fee awards are subject to approval by this  
21 Court.

#### 22                           **Steptoe's Prepetition Claims**

23           38.     On September 5, 2019, Steptoe filed a proof of claim related a pre-petition claim held  
24 against the Utility in the amount of \$81,268.85.

#### 25                           **No Interest Adverse to the Debtors With Respect to the Specific Matters**

26           39.     Steptoe maintains a master client database as part of its conflict clearance and billing  
27 records. The master client database includes the names of the entities for which any attorney time  
28 charges have been billed since the database was first created (the "**Client Database**"). The Client

1 Database includes the names of all current and former clients, the names of the parties who are or were  
2 related or adverse to such current and former clients, and the names of the Steptoe personnel who are or  
3 were responsible for current or former matters for such clients. The Client Database also includes the  
4 name of former clients of Steptoe attorneys while such attorneys were at a prior firm. Steptoe's policy  
5 is that no new matter may be accepted or opened within Steptoe without completing and submitting to  
6 those charged with maintaining the conflict clearance system the information necessary to check each  
7 such matter for conflicts, including the identity of the prospective client, the name of the matter, adverse  
8 parties, and, in some cases, parties related to the client or to an adverse party. Accordingly, the database  
9 is updated for every new matter undertaken by Steptoe. The accuracy of the system is a function of the  
10 completeness and accuracy of the information submitted by the attorney opening a new matter.

11 40. In connection with the Debtors' proposed retention of Steptoe, the Firm undertook to  
12 determine whether it has any conflicts or other relationships that might cause it to hold or represent an  
13 interest adverse to the Debtors or their estates with respect to the Specific Matters. To do so, Steptoe  
14 searched the names of each Debtor to determine whether it represented any party adverse to the Debtors.  
15 To the best of my knowledge, there are no matters in which Steptoe personnel are currently representing  
16 parties adverse (or potentially adverse) to the Debtors.

17 41. Steptoe may have previously represented parties adverse to the Debtors in matters  
18 unrelated to the Chapter 11 Cases, which, to the best of my knowledge, after due inquiry, are no longer  
19 active or have concluded.

20 42. In addition, on December 20, 2020, counsel for the Debtors provided Steptoe with a list  
21 of creditors of the Debtors and other persons and entities who potentially have an interest in the Chapter  
22 11 Cases (collectively, the "**Interested Parties List**"). The Interested Parties List may change during  
23 the pendency of these Chapter 11 Cases without our knowledge. Steptoe will update this Declaration as  
24 necessary when new names of parties in interest are made available.

25 43. To the extent I have been able to ascertain based on the search of the Client Database and  
26 reasonable inquiry, **Schedule 1** to this Declaration identifies those Interested Parties, or affiliates, that  
27 are or have been Steptoe clients within the immediately prior two years. None of the representations  
28 listed on **Schedule 1** or described below is materially adverse to the interests of the Debtors or their

1 estates with respect to the Specific Matters, and all prior and current Steptoe representations of the  
2 clients, former clients, or their affiliates and/or subsidiaries are or have been in matters unrelated to the  
3 Specific Matters.

4 44. To the best of my knowledge, after due inquiry, none of the representations identified in  
5 **Schedule 1** is related to the Specific Matters for which the Debtors seek to engage Steptoe pursuant to  
6 the Application.

7 45. In addition, as part of its intake process in connection with each of the Specific Matters  
8 and again in connection with this Application, Steptoe performed a conflicts search regarding the names  
9 of adversaries in the Specific Matters. To the best of my knowledge, after due inquiry, Steptoe does not  
10 represent any adversary of the Debtors in the Specific Matters.

11 46. Accordingly, to the best of my knowledge, after due inquiry, Steptoe does not represent  
12 or hold any interest adverse to the Debtors or their estates with respect to the Specific Matters.

13 47. The Firm may have performed services in the past and may perform services in the future,  
14 in matters unrelated to the Chapter 11 Cases, for persons that are creditors or other parties in interest in  
15 the Debtors' Chapter 11 Cases. As part of Steptoe's customary practice, the Firm is retained in cases,  
16 proceedings, and transactions involving many different parties, some of whom may represent or be  
17 claimants or employees of the Debtors, or other parties in interest in these Chapter 11 Cases. The Firm  
18 does not perform services for any such person in connection with these Chapter 11 Cases. The Firm  
19 does not have any relationship with any person, or such person's attorneys, or such person's accountants  
20 that would be adverse to the Debtors or their estates with respect to the Specific Matters. From time to  
21 time, Steptoe has referred work to other professionals retained or to be retained in these Chapter 11  
22 Cases, and certain such professionals have referred work to Steptoe. Also, as part of its practice, Steptoe  
23 appears in cases, proceedings, and transactions involving many different attorneys, accountants,  
24 financial consultants, and investment bankers, some of whom now or may in the future represent  
25 claimants and other parties in interest in this case. Except as disclosed in the Application, Steptoe does  
26 not represent any such parties in relation to the Debtors or these Chapter 11 Cases, and will not do so in  
27 the future without the Debtors' consent. Steptoe does not have any relationship with any such attorneys,  
28 accountants, financial consultants, or investment bankers that would be adverse to the Debtors or their

1 estates in connection with the Specific Matters.

2 48. Steptoe may currently represent or formerly may have represented certain of the Debtors'  
3 other professionals in matters unrelated to the Debtor and these Chapter 11 Cases. I do not believe that  
4 Steptoe's past or current representation of these other professionals in matters unrelated to the Debtors  
5 or these Chapter 11 Cases creates any interest materially adverse to the Debtors with respect to the  
6 Specific Matters.

7 49. Certain insurance companies pay the legal bills of Steptoe clients. Some of these  
8 insurance companies may be involved in these Chapter 11 Cases. None of these insurance companies,  
9 however, is a Steptoe client as a result of the fact that it pays legal fees on behalf of a client of Steptoe.

10 50. From time to time, Steptoe partners, counsel, associates, and employees personally invest  
11 in mutual funds, retirement funds, private equity funds, venture capital funds, hedge funds, and other  
12 types of investment funds, through which such individuals indirectly acquire a debt or equity security of  
13 many companies, one of which may be one of the Debtors, often without the knowledge of Steptoe. To  
14 the extent that Steptoe partners, counsel, associates, and employees personally directly acquire a debt or  
15 equity security of a company, Steptoe has a long-standing policy prohibiting attorneys and employees  
16 from using confidential information that may come to their attention in the course of their work. In this  
17 regard, all Steptoe attorneys and employees are barred from trading in securities with respect to which  
18 they possess confidential information.

19 51. Based on the inquiry above, to the best of my knowledge, information and belief, insofar  
20 as I have been able to ascertain after reasonable inquiry, I can attest that Steptoe neither holds nor  
21 represents an interest adverse to the Debtors or their estates with respect to the Specific Matters. Steptoe  
22 will review its files periodically during the pendency of these Chapter 11 Cases to ensure that no conflicts  
23 or other disqualifying circumstances exist or arise. If any new relevant facts or relationships are  
24 discovered or arise, Steptoe will use reasonable efforts to identify such further developments and will  
25 promptly file a supplemental declaration, as required by Bankruptcy Rule 2014(a).

26 **Attorney Statement Pursuant to U.S. Trustee Guidelines**

27 The following is provided in response to the request for additional information set forth in  
28 Paragraph D.1 of the U.S. Trustee Fee Guidelines.

1           **Question:** Did you agree to any variations from, or alternatives to, your standard or customary  
2 billing arrangements for this engagement? **Response:** Yes. The rates in the Engagement Agreement,  
3 attached as Exhibit A, were specifically negotiated with the Debtors and are significantly lower than  
4 Steptoe's standard hourly rates.

5           **Question:** Do any of the professionals included in this engagement vary their rate based on the  
6 geographic location of the bankruptcy case? **Response:** No.

7           **Question:** If you represented the client in the twelve (12) months prepetition, disclose your  
8 billing rates and material financial terms for the prepetition engagement, including any adjustments  
9 during the twelve (12) months prepetition. If your billing rates and material financial terms have changed  
10 postpetition, explain the difference and the reasons for the difference. **Response:** Steptoe represented  
11 the Debtors in connection with the Specific Matters prior to the Petition Date. The applicable rates for  
12 2018 for the individuals working on the Specific Matters are set forth in the Engagement Agreement,  
13 attached as Exhibit A. Hourly rates for partners ranged from \$625 to \$795; \$525 for counsel; \$395 to  
14 \$515 for associates; and \$225 for paraprofessionals. The 2018 rates were negotiated as part of the  
15 Debtors' competitive Request for Proposal solicitation process, with an agreement that the 2018 rates  
16 would remain in place for 2019 without any increases. At the end of 2019, Steptoe negotiated increases  
17 in its billing rates for 2020 because of expiration of the two-year rate agreement. The 2020 hourly rates  
18 for lawyers presently working on the engagement are \$775 to \$925 for partners; \$625 for counsel; \$450  
19 to \$615 for associates; and \$250 for paraprofessionals. The increase in hourly rates reflects changes in  
20 economic conditions and other factors. The 2020 hourly rates negotiated with Debtors remain  
21 significantly lower than Steptoe's standard hourly rates.

22           **Question:** Has your client approved your prospective budget and staffing plan, and, if so, for  
23 what budget period? **Response:** Steptoe has submitted budget and staffing plans for its work relating to  
24 the Ghost Ship Case and the Valero Case, which are under review.

1 I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry,  
2 the foregoing is true and correct and that this declaration was executed at San Francisco, California on  
3 this 24th day of March, 2020.

4  
5 /s/ Laurie Edelstein  
6 Laurie Edelstein  
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